

Financial Results Briefing for the 2Q FY2017

Infocom Corporation

Infocom Corporation

October 26, 2017

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(E-comic, Health IT)
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Financial Results for the 2Q FY17



Focused businesses in the medium-term business plan

(E-comic, Health IT)



Outlook for FY17

FY17 2Q Earnings Highlights (Consolidated)

(Unit:100 million yen)

	FY16 2Q	FY17 2Q	YoY		Vs. initial outlook	
	Amount	Amount	Change	Change (%)	Outlook	Change
Net sales	193.3	212.0	+18.6	+9.7	205.0	+7.0
Operating income (Operating margin)	16.1 (8.3)	23.6 (11.2)	+7.5	+46.9	19.0 (9.3)	+4.6
EBITDA	21.0	29.3	+8.2	+39.2	25.0	+4.3
Ordinary income	16.2	26.3	+10.1	+62.3	19.0	+7.3
Profit attributable to owners of parent	10.4	25.7	+15.2	+145.8	19.0	+6.7

◆ Increased YoY both in sales and profit.

Health IT and E-comic distribution service are going well.
Decrease in expenses related to the sale of data center
(increase in extraordinary profit) also contributed.

Business Areas and Segment Structure

Business Solution Group

Digital Entertainment Group



Enterprise Service Management

System integration for major companies

- Textile makers
- Trading companies
- Pharmaceutical wholesalers
- Cell-phone companies



Business Software

Business package cloud services

- Company
- Government agency etc.



Health IT

Package services for medical institutions

- Hospitals
- Pharmaceutical companies
- Nursing care companies
- Health industry



E-comic

Internet contents for consumers

- General consumer

Business Solution Results (Consolidated)

(Unit:100 million yen)

	FY16 2Q	FY17 2Q	YoY	
	Amount	Amount	Change	Change (%)
Net sales	98.3	105.5	+7.1	+7.3
Health IT net sales	32.8	39.9	+7.1	+21.6
Operating income (Operating margin)	3.6 (3.7)	6.3 (6.0)	+2.6	+73.0

◆ Net Sales : Health IT was steady from the first quarter, absorbing the decline in data center related business withdrawal etc.

◆ Operating income : Increase due to increase in sales.

Digital Entertainment Results (Consolidated)

(Unit: 100 million yen)

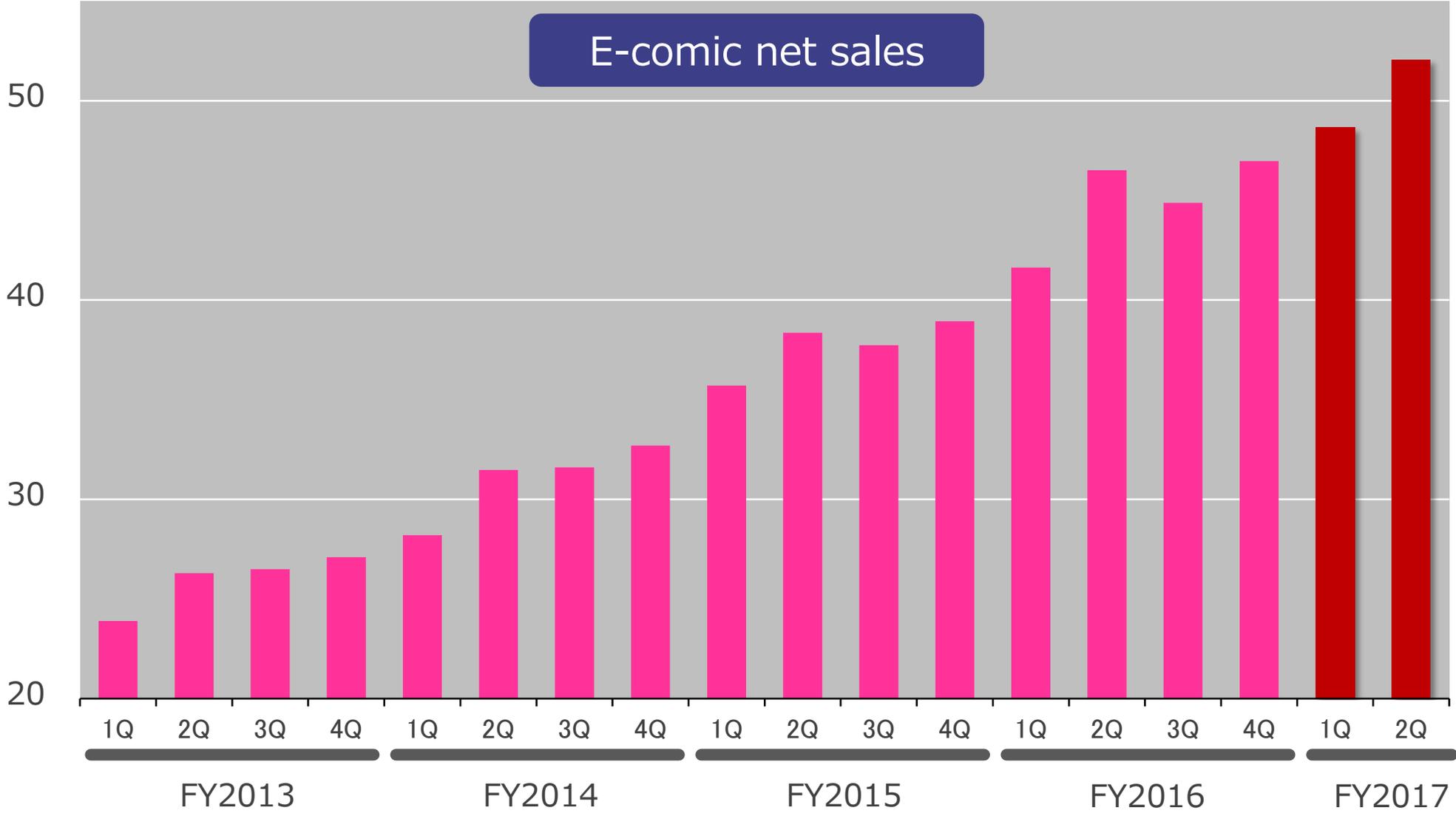
	FY16 2Q	FY17 2Q	YoY	
	Amount	Amount	Change	Change (%)
Net sales	95.0	106.4	+11.4	+12.1
E-book net sales	88.1	100.6	+12.5	+14.2
Operating income (Operating margin)	12.4 (13.1)	17.2 (16.2)	+4.8	+38.9

◆ Net sales : Updated highest sales as E-comic distribution service continued strong.

◆ Operating income : Increase due to contribution of E-comic distribution service sales growth and operational efficiency.

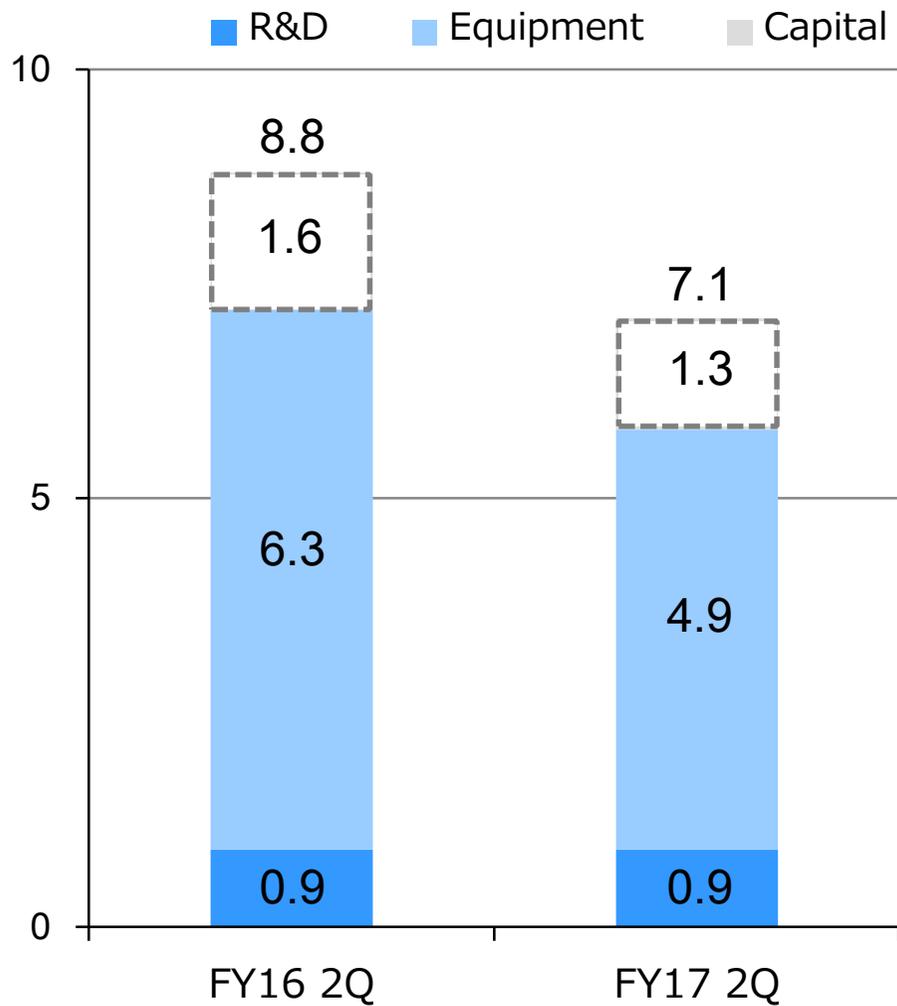
Digital Entertainment E-comic Distribution Services Net Sales Results

(Unit: 100 million yen)



Investment

(Unit:100 million yen)



Major Investments (100 million yen)

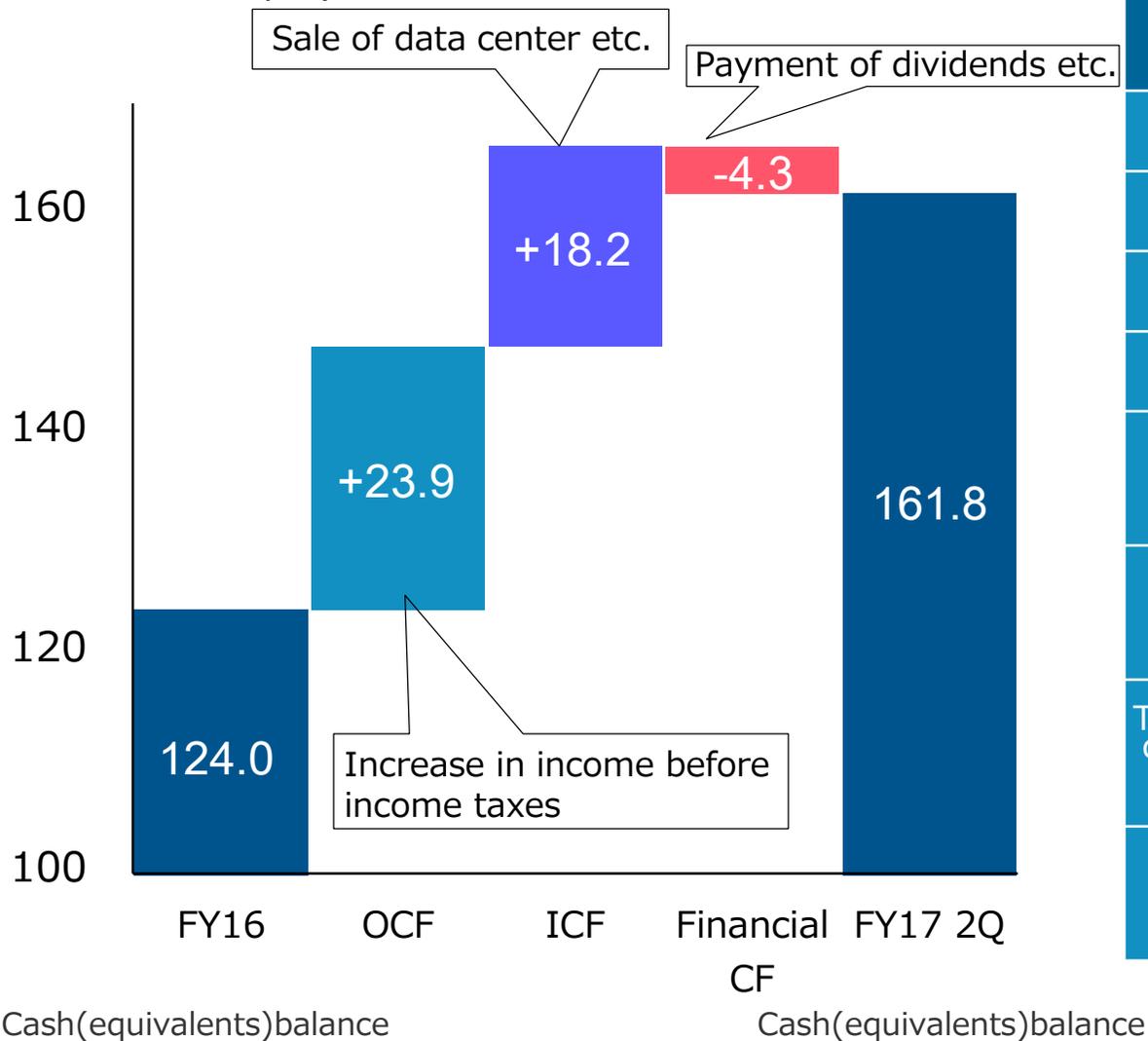
Capital	Overseas start-up companies	1.3
Equipment	E-comic distribution services	4.9
	Health IT new services	
	System for pharmaceutical company	
	Regional inclusive care area	
	GRANDIT-ERP	
R&D	AI,IoT, New technology development	0.9
	Others	

Balance Sheet (Consolidated)

	March 31,2017		September 30,2017			(Unit:100 million yen, %)
	Amount	Ratio	Amount	Ratio	Change	Major factors for changes
Current assets	237.3	72.7	262.0	76.6	+24.7	<ul style="list-style-type: none"> • Cash and deposits +37.7 • Notes and accounts receivable-trade -10.4
Fixed assets	88.8	27.3	79.9	23.4	-8.9	<ul style="list-style-type: none"> • Buildings and structures -11.7
Total assets	326.2	100.0	342.0	100.0	+15.8	
Current liabilities	86.3	26.5	75.4	22.0	-10.9	<ul style="list-style-type: none"> • Reserve for loss from business restructuring -4.2
Non-current liabilities	3.1	1.0	4.6	1.3	+1.5	
Total liabilities	89.5	27.5	80.1	23.4	-9.4	
Total net assets	236.6	72.5	261.9	76.6	+25.2	<ul style="list-style-type: none"> • Retained earnings +21.6
Total liabilities and net assets	326.2	100.0	342.0	100.0	+15.8	
Shareholders equity ratio	72.2%		76.2%			

Cash Flow (Consolidated)

(Unit:100 million yen)



(Unit:100 million yen)

	FY16 2Q	FY17 2Q	Change
Operating CF	9.9	23.9	+13.9
Investment CF	△4.9	18.2	+23.2
Free CF	5.0	42.1	+37.1
Financial CF	△6.3	△4.3	+1.9
Effect of exchange rate changes on cash and cash equivalents	△0.3	△0.0	+0.3
Net increase (decrease) in cash and cash equivalents	△1.7	37.7	+39.4
The period cash and cash equivalents at beginning of the period	119.4	124.0	+4.6
Cash and cash equivalents at end of the quarter	117.7	161.8	+44.0



Financial Results for the 2Q FY17



Focused businesses in the medium-term business plan
(E-comic, Health IT)



Outlook for FY17



E-comic

Marketing strategy



Health IT

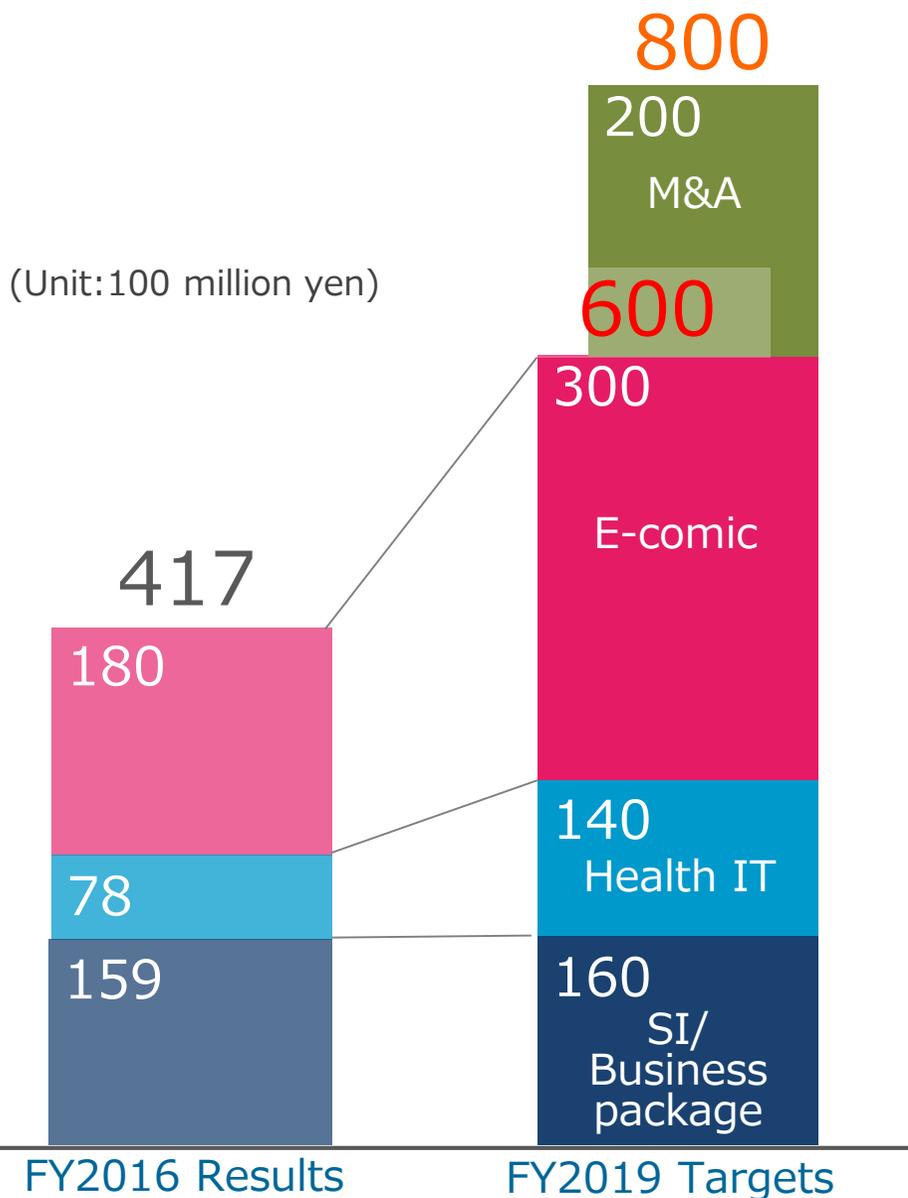
Development into nursing care area



Others

Business development utilizing AI and IoT

Growth strategy of the new medium-term management plan



Pursuit of growth

Further concentration of priority business

Growth achieved with Health IT and E-comic

M&A

Set a strategic investment limit of ¥200(100 million)

Create business through Co-creation

Business development utilizing AI and IoT



E-comic

Marketing strategy



Health IT

Development into nursing care area



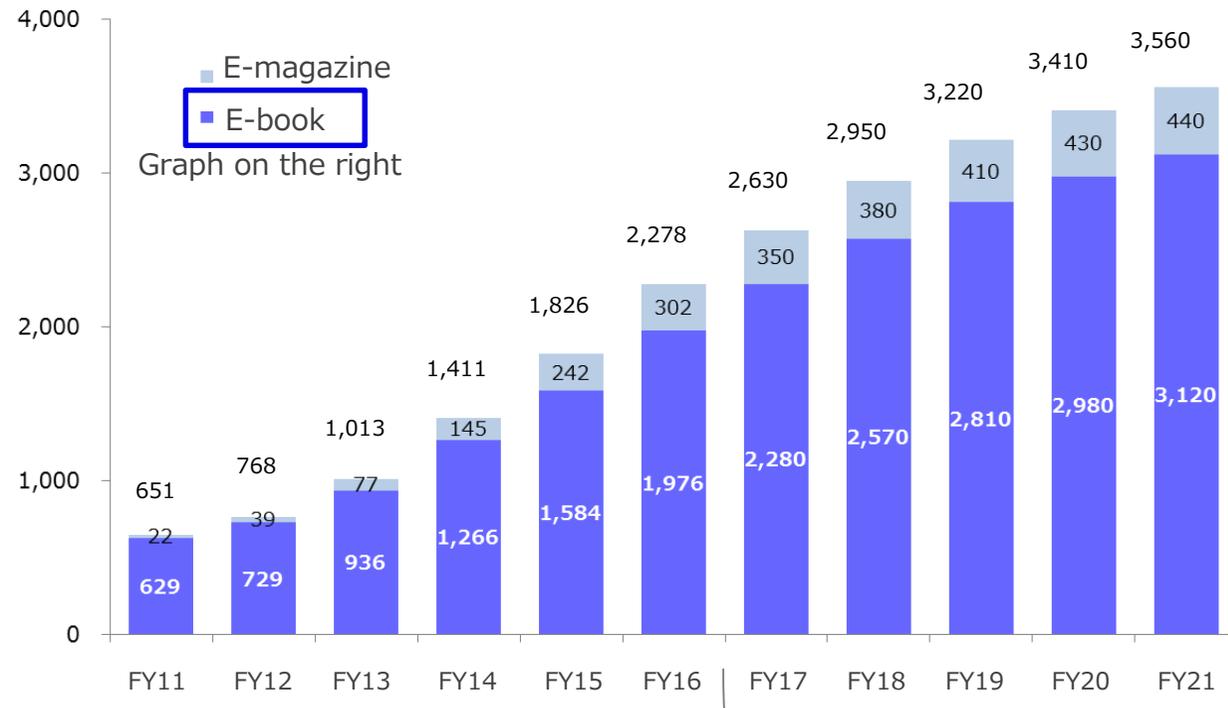
Others

Business development utilizing AI and IoT

E-book Market

〈E-book + E-magazine〉

(100 million yen)



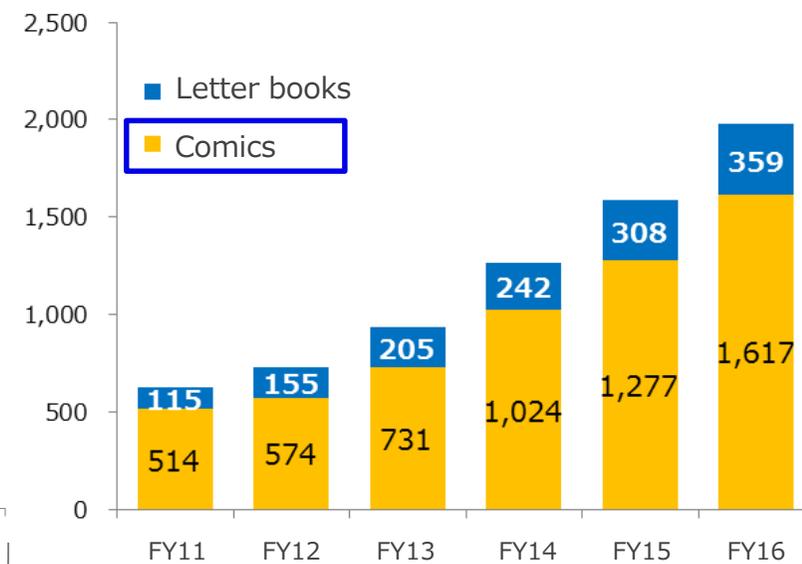
The source is Impress Corporation

prediction

〈E-book〉

Yellow part 〈E-comic〉

(100 million yen)



The source is Impress Corporation

Growth scenario E-comic

- Aim for establishment of top share with growth exceeding market trends

1. Enhancement by latest IT technology

- Application of AI technology
- Improve quality by enhancing system, enhance security

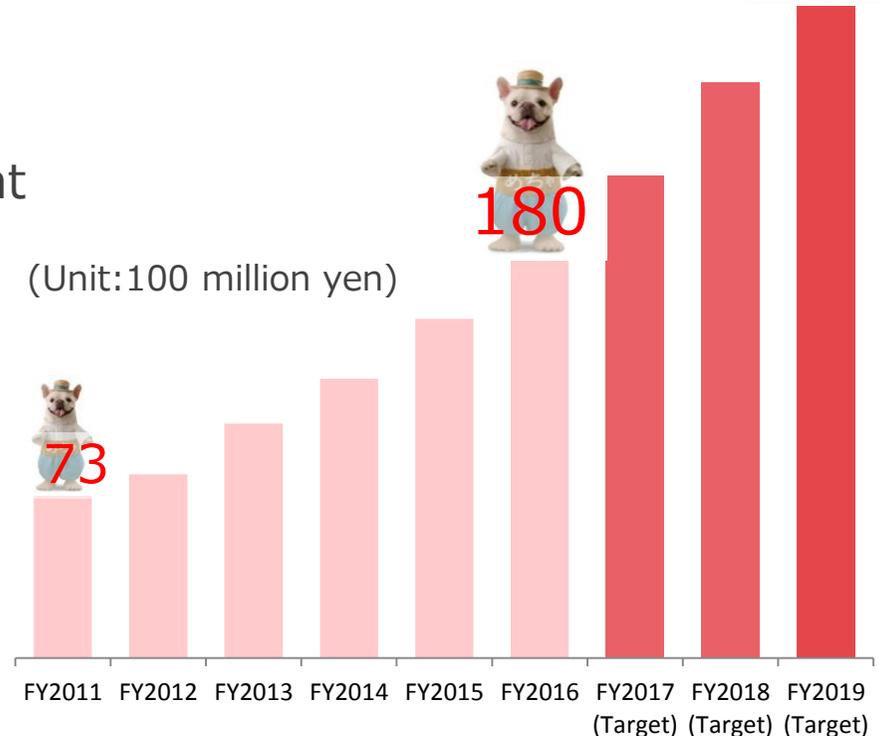


2. Strengthen conductors ⇒ Increase number of members

- Maximize efficiency of Internet advertisement
- Diversification of means of settlement

3. Improve user experience

- Vertical read scroll
- Monopoly precedent delivery
- Early delivery through work process review



E-comic Major action in the 1H (Application of AI technology)

- AI technology was successful and boosted favorable results



E-comic Major action in the 1H (Diversification of means of settlement)

- Corresponds to "Yahoo! Wallet" "Rakuten Pay" contributing to increase in the number of members



- It is easy to read with a simple procedure
- Point accumulates
You can read using points
- Manage with payment details



E-comic Major action in the 1H (Monopoly precedent delivery)

- Improve customer satisfaction because you can read comics you want to read early

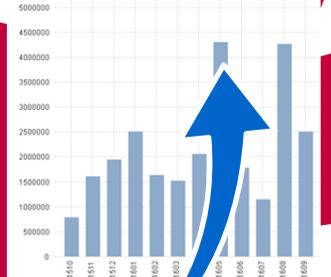
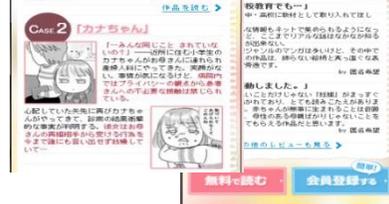
Appeal work with CM



Appeal work with banner



めちコミック
Special page on site



You can read the latest volume
めちコミック
only

2~6ヶ月

Exclusive distribution of latest volume

Up to now 36 publisher
Distribution of 118 titles

Start distribution of other stores
Comic books released



E-comic Major action in the 2H

- Implement effective actions to achieve the full-year sales target of 21 billion yen

1. Enhancement by latest IT technology

- Application of AI technology
- Improve quality by enhancing system, enhance security

2. Strengthen conductors ⇒ Increase number of members

- Maximize efficiency of Internet advertisement
- Diversification of means of settlement

3. Improve user experience

- Vertical read scroll
- Monopoly precedent delivery
- Early delivery through work process review

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E-comic

Marketing strategy



Health IT

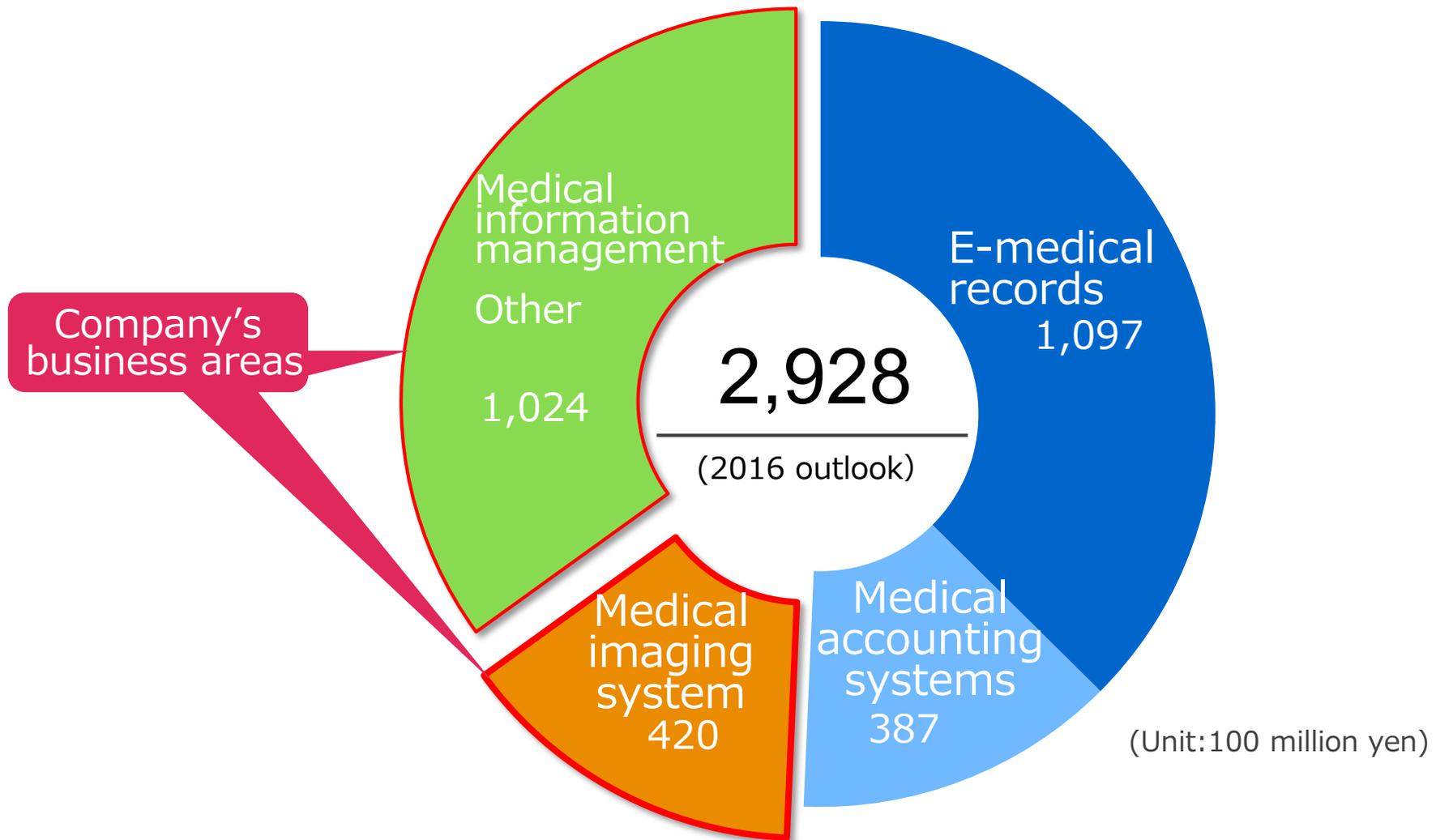
Development into nursing care area



Others

Business development utilizing AI and IoT

Health IT Scale of the Medical IT Market

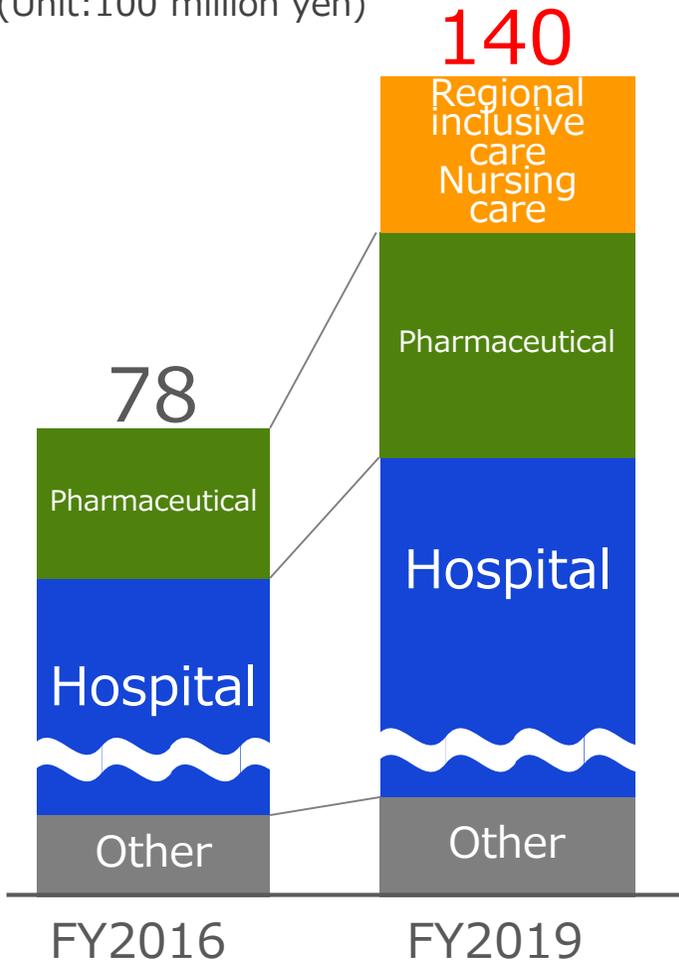


Source: Outlook for medical information systems market 2016 by Yano Research Institute

Growth scenario Health IT

- Growing healthcare to 14 billion yen scale by focusing on regional comprehensive care and nursing care.

(Unit:100 million yen)



1. Establish presence in regional inclusive care and nursing care (Sales more than 2 billion yen)

- Nursing care whole IT! promotion
- Launch of nursing care platform service

2. New health IT service utilizing AI and IoT

3. Expansion of lineup for hospitals and pharmaceutical

- For hospitals, we focused on surgery and nursing departments
- Growth acceleration for pharmaceuticals through integration of manufacturing and sales

Health IT Nursing care whole IT!

- Nursing care whole IT! Pushing forward, developing nursing care platform services

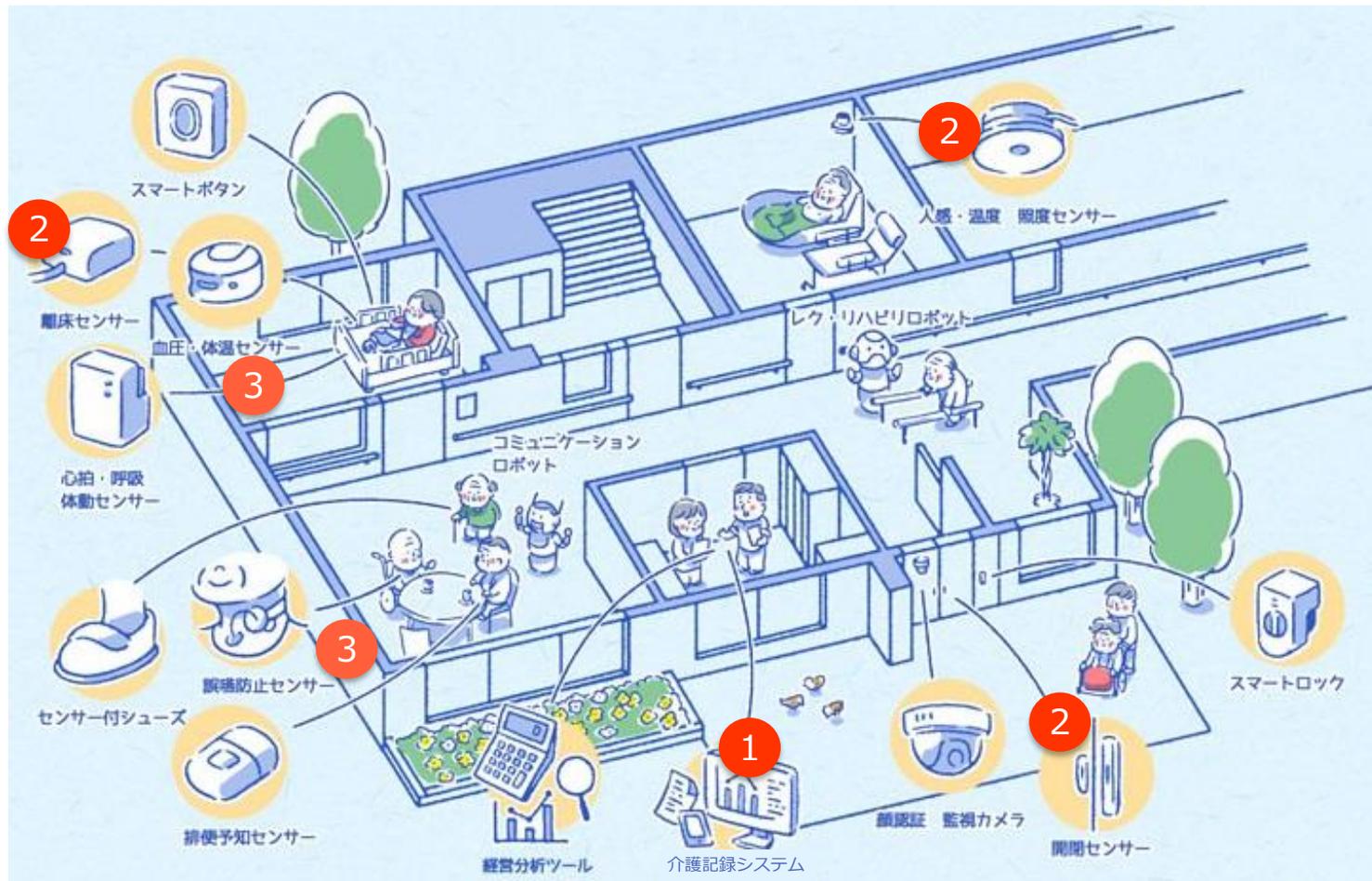
1 "Daily" Care record system

2 Nursing care watching support service

3 (During demonstration experiment) New service

4 (Under review) Care record service

5 (Under review) Home-based service

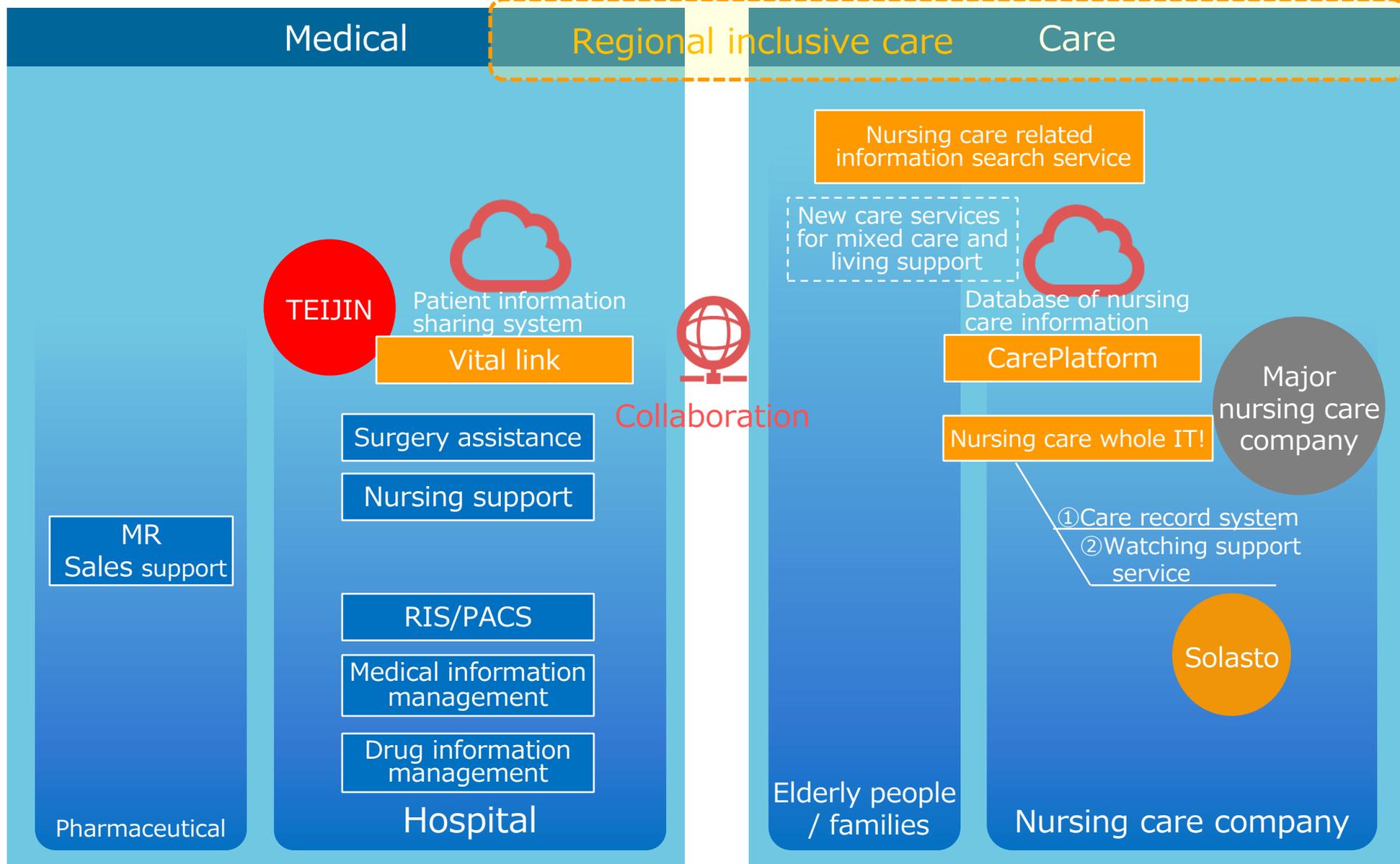


Care Platform

Health IT Service deployment

New

Existing



Digital Health Connect AGING2.0 (April 26, 2017)



Health IT Digital Health Connect Performance

<u>Holding month</u>	<u>Event</u>	<u>Best company</u>	<u>Collaboration status</u>
1 2015.03	Business plan contest	Carelinks	> Reconstruction of nursing care record for Solasto (March,2017)
2 2015.10	Business pitch for the elderly (Aging 2.0)	Z-Works	> Business capital alliance in January 2017 (Tackle regional inclusive care solutions)
3 2015.11	Problem solving type pitch event	Sleepeer	> Co-developed "sleep coach" in Teijin sleep project (It began selling on May 31, 2017)
4 2016.07	Pitch events for nursing care services	bspr	> Demonstration of brain training for solving dementia with Solasto
5 2016.07	Business pitch for the elderly (Aging 2.0)	Triple W	> Collaboration under consideration
6 2017.04	Business pitch for the elderly (Aging 2.0 TOKYO)	Moff	> Collaboration under consideration

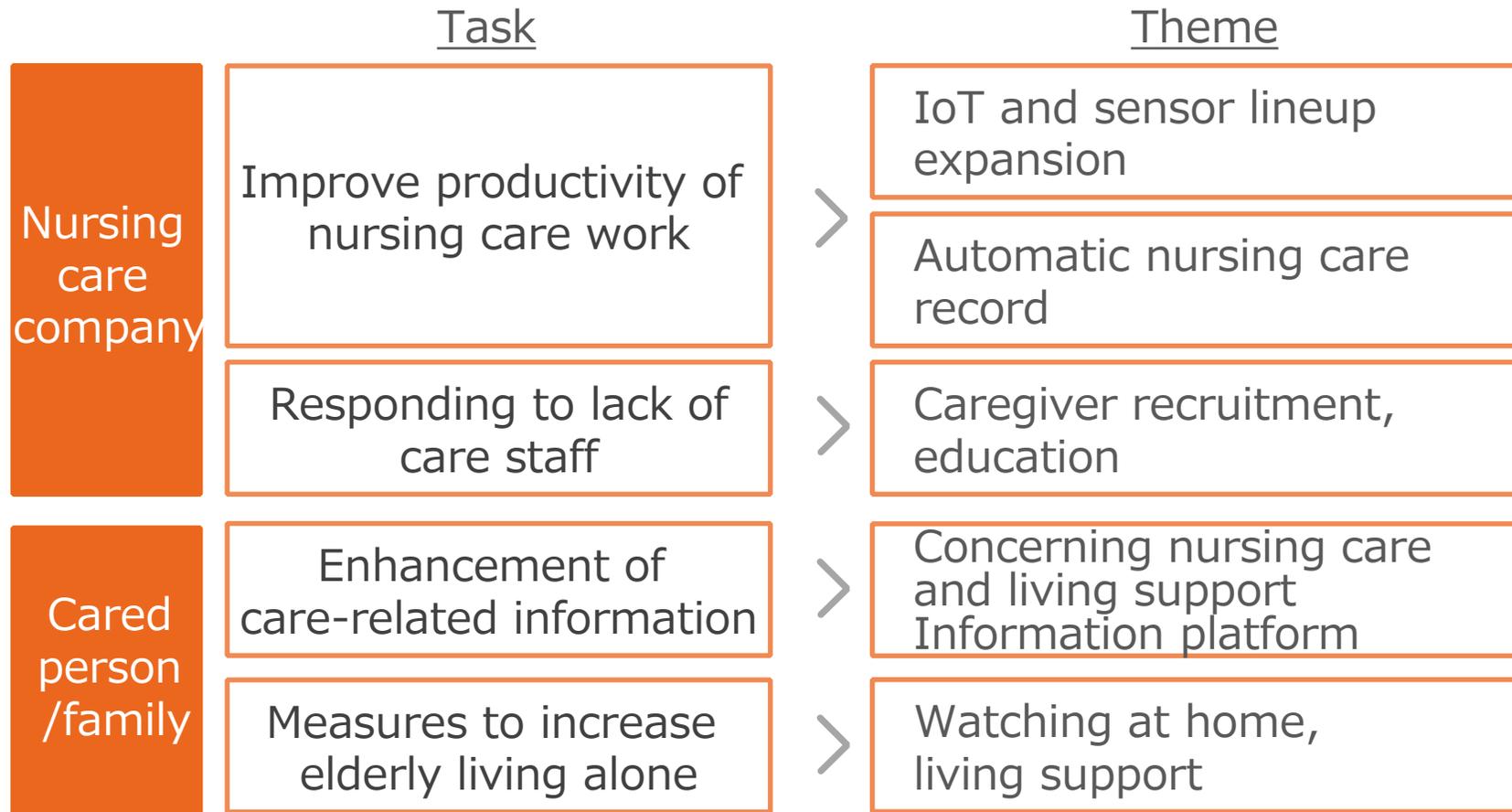
Health IT Major action in the 2H

- Develop watching support service for nursing care company using IoT
 - ⇒ Developed in collaboration with Z-Works.
Significant reduction in burden on caregivers.

Utilizing sensor technology to realize efficiency in nursing care sites



Health IT Nursing care whole IT! Investment theme in the 2H





E-comic

Marketing strategy



Health IT

Development into nursing care area

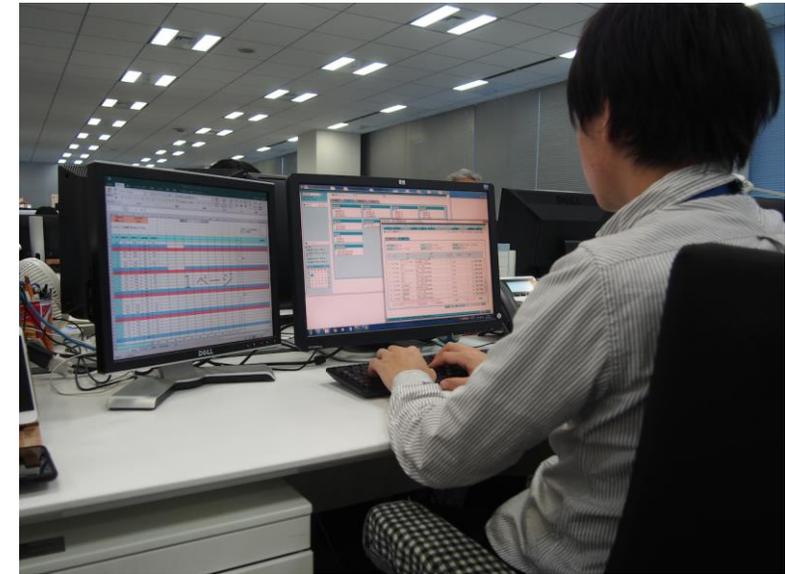
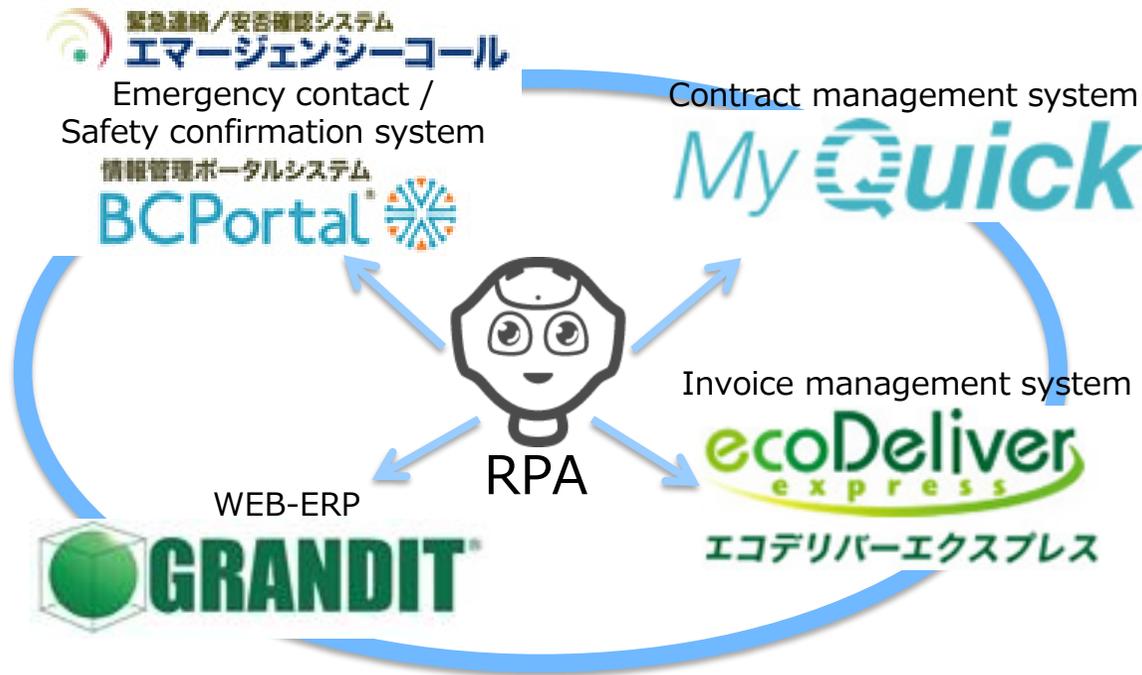


Others

Business development utilizing AI and IoT

Business deployment using RPA (Robotic Process Automation)

- Provide solution that cooperates with enterprise IT service and RPA
 - ⇒ Improve efficiency of day-to-day operations and advance worker reform



Utilize RPA for daily work

Business development using IoT

- Embedded wearable device jointly developed with Teijin in smart firefighter clothing
 - ⇒ Measure the temperature of the crew members to prevent heat stroke leading to strengthening of safety management



Attach a sensing device (red) to the inside pocket of the smart firefighter clothing.

Collect data on the disaster site management system and grasp the status of the crew members.



Financial Results for the 2Q FY17



Focused businesses in the medium-term business plan
(E-comic, Health IT)



Outlook for FY17

FY17 Outlook (Consolidated)

(Unit:100 million yen,%)

	FY16	FY17 Initial outlook	FY17		
			Revised outlook	Change	Change (%)
Net sales	417.6	460.0	460.0	+42.4	+10.1
Operating income (Operating margin)	47.7 (11.4)	53.0 (11.5)	56.0 (12.2)	+8.3	+17.2
EBITDA	58.4	65.0	68.0	+9.6	+16.4
Ordinary income	48.5	53.0	58.0	+9.5	+19.5
Profit attributable to owners of parent	32.6	40.0	45.0	+12.4	+38.0
E.P.S.(yen)	119.28	146.29	164.56	+45.28	—
ROE (%)	14.6	16.3	17.6	+3.0	

◆ In addition to the results of the first half, based on the forecasts of priority business Health IT and E-comic upward revised profit forecast for full year.

Business Solution Outlook (Consolidated)

(Unit:100 million yen,%)

	FY16	FY17 Initial outlook	FY17		
			Revised outlook	Change	Change (%)
Net sales	224.1	235.0	235.0	+10.9	+4.9
Health IT net sales	78.1	90.0	90.0	+11.9	+15.2
Operating income (Operating margin)	19.9 (8.9)	21.0 (8.9)	21.0 (8.9)	+1.1	+5.5

◆ Net sales : As in the initial forecast, the Health IT performed steadily.

◆ Operating income : Increase due to increased Health IT revenue while at the same time strengthening upfront investment with regional inclusive care and nursing care with a view to the medium-term plan goal As planned.

Digital Entertainment Outlook (Consolidated)

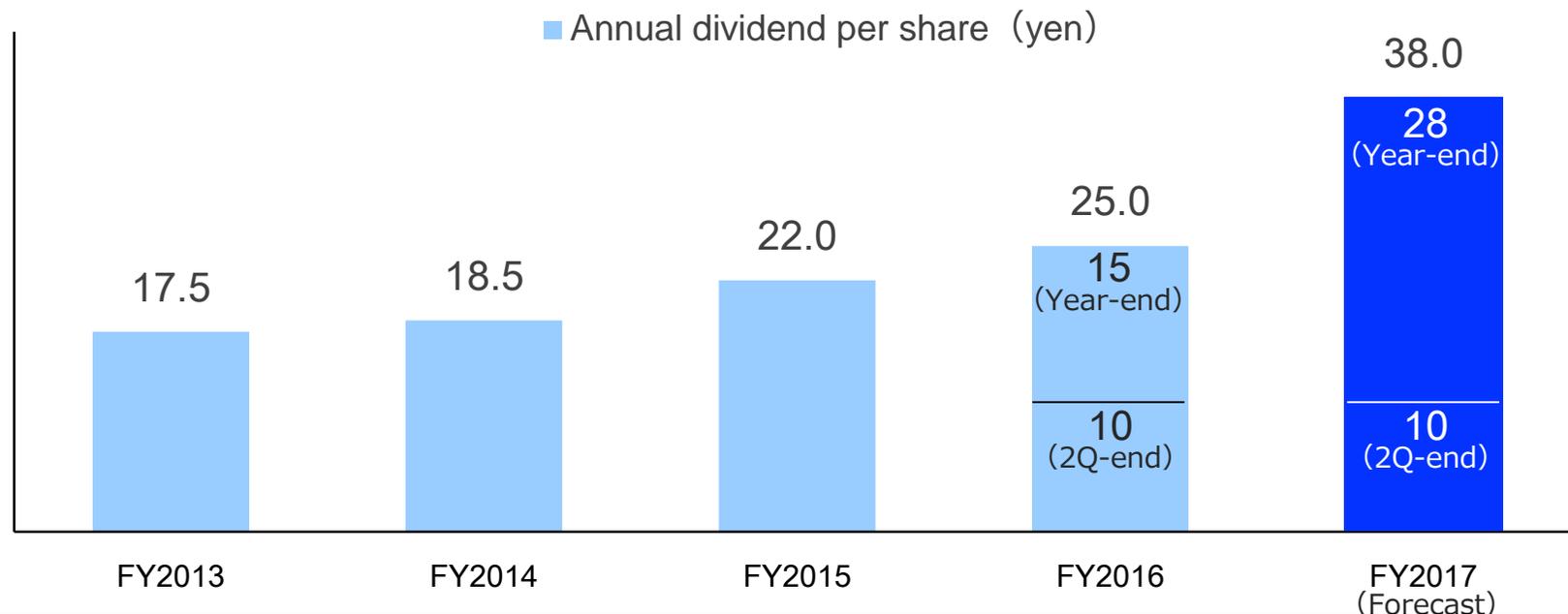
(Unit:100 million yen,%)

	FY16	FY17 Initial outlook	FY17		
			Revised outlook	Change	Change (%)
Net sales	193.5	225.0	225.0	+31.5	+16.3
E-comic net sales	180.0	210.0	210.0	+30.0	+16.7
Operating income (Operating margin)	28.0 (14.5)	32.0 (14.2)	35.0 (15.6)	+7.0	+25.0

◆ Net sales : E-comic distribution service aims to continue 21.0 billion yen.

◆ Operating income : Midterm plan To strengthen investment including new marketing measures and utilization of AI to achieve target sales target of 30 billion yen, expected increase in earnings from the beginning due to E-comic business expansion.

Return to Shareholders



E.P.S.	FY2013	FY2014	FY2015	FY2016	FY2017 (Forecast)
	73.98 yen	79.43 yen	26.64 yen	119.28 yen	146.30 yen

Note: The Company conducted a 200-for-1 stock split of common stock effective October 1, 2013. The annual dividend per share and net profit per share before the share split are adjusted to figures that take into account the share split.

◆ **Dividend** : An interim dividend of 10 yen will be implemented, with a year-end dividend of 28 yen, together with an annual dividend of 38 yen.

→ Increase 3 yen from the initial forecast reflecting business performance
(ordinary + 1 yen, memorial + 2 yen)

◆ **Preferential** : Applicable to shareholders holding one or more units stated in the register of shareholders as of September 30, 2017.
(scheduled to be announced at the end of November)

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